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Daily FX Report

EUR / USD

The German IFO business confidence index strengthened to 101.8 for June from 99.2 the previous month and above consensus forecasts of 100.6. There was a significant improvement in the current conditions assessment to 99.6 from 95.7 while the expectations component strengthened to 104.0 from 102.9.

The IFO commented that conditions in the retail sector improved by more than at any time since German reunification in 1990 and there was further strong upward pressure on prices within the industrial sector as bottlenecks continued.

The Euro held a firm tone following the IFO data and extended to a peak just above 1.1950 just after the New York open, although movements were limited.

US initial jobless claims declined slightly to 411,000 in the latest week from 418,000 previously, but above consensus forecasts of 380,000 while continuing claims declined to 3.39mn from 3.54mn with underlying confidence in the labour market sustained.

Durable goods orders increased 2.3% for May after a 0.8% decline the previous month with an underlying increase of 0.3%.

There was only a limited market reaction with the dollar paring losses, but unable to make any significant impression and the Euro settled little changed around 1.1930. The latest US PCE prices data will be watched closely on Friday for further evidence on underlying inflation trends. The dollar traded marginally lower on Friday as firm risk appetite curbed potential demand for the US currency while commodity currencies posted limited net gains and the Euro was slightly stronger around 1.1935.

JPY

Markets continued to monitor talks surrounding US infrastructure spending with optimism that progress was being made helping to underpin dollar sentiment with the US currency able to resist losses. Although there was little change in Treasuries, the dollar consolidated around 110.85 into the European close.

Dallas Fed President Kaplan stated that inflation is broadening out to more sectors and there was uncertainty over underlying trends. Richmond head Barkin, however, stated that the current inflation rise is clearly due to temporary factors and long-term inflation expectations have held steady.

After the European close President Biden announced that an infrastructure compromise had been reached and that the revenue would be raised without tax increases which provided relief for equities. The Federal Reserve also announced that major banks had passed the stress tests and that restrictions on dividends would be lifted.

Overall, the dollar traded marginally higher on Friday with fragile yen sentiment, but with resistance on approach to the 111.00 level and the Euro around 132.30.

GBP

Sterling held a firm tone into Thursday's Bank of England policy decision amid expectations of a hawkish tone, although it was held below 1.4000 against the dollar.

The Monetary Policy Committee held interest rates at 0.1%, in line with consensus forecasts, and there were no changes in the asset-purchase programme. Haldane again dissented and called for the reduction in bond buying, but the other committee members maintained a more cautious stance.

The bank upgraded the short-term growth outlook and now expects that inflation will increase more sharply than expected with the rate likely to increase to above 3% in the short term. The bank still expected that higher inflation pressures would be transitory and it also stated that patience was still warranted given that downside risks were still in evidence. There were no suggestions that the bank would bring forward an interest rate increase and the overall tone was more dovish than expected.

In this context, Sterling declined sharply following the statement with a retreat to lows below 1.3900 against the dollar while the Euro strengthened to 0.8580.

There was buying support at lower levels amid speculation that the bank would shift its stance soon. The UK currency was also underpinned by a firm tone surrounding risk appetite. In this context, Sterling recovered to 1.3930 with the Euro retreating to 0.8560.

UK consumer confidence held at -9 for June and slightly below consensus forecasts and the UK currency was held around 1.3925 against the dollar on Friday.

CHF

The Euro again attempted to make headway on Thursday, but it failed to hold its best levels with the single currency hitting resistance close to 1.0975 and consolidated around 1.0960. The dollar was unable to break above 0.9200 and closed little changed in Europe.

Underlying franc demand remained subdued as equity markets made headway with increased franc selling to fund carry trades. Overall risk appetite held firm on Friday, although markets were continuing to monitor inflation trends closely with the dollar around 0.9180.

Technical Levels

	EUR/USD	USD/JPY	GBP/USD
Resistance 3	1.2070	112.20	1.4070
Resistance 2	1.2000	111.65	1.4000
Resistance 1	1.1940	111.10	1.3930
	1.1935	110.85	1.3925
Support 1	1.1870	110.60	1.3870
Support 2	1.1800	110.00	1.3800
Support 3	1.1735	109.35	1.3735

Today's Events

Currency	Date	Time	Indicator	Period	Survey	Prior
GBP	25/6	00:01	GfK Consumer Confidence	Jun	-7	-9
EUR	25/6	09:00	M3 Money Supply YoY	May	8.5%	9.2%
USD	25/6	13:30	Personal Income	May	-2.5%	-13.1%
USD	25/6	13:30	Personal Spending	May	0.4%	0.5%
USD	25/6	13:30	PCE Core Deflator YoY	May	3.4%	3.1%
USD	25/6	15:00	U. of Mich. Sentiment	Jun	86.5	86.4

Source: Bloomberg

Risk warning

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